



Single Family Participating Servicer Training



Participating Servicer Training
April 25, 2013



Introduction

2

□ SFLS SUPPORT TEAM

■ HUD Staff

- Asset Sales Office (ASO)
- Single Family Insurance Claims
- Office of Single Family Accounting (SFA)
- Office of General Counsel (OGC)

■ Contractors

- Program Financial Advisor (PFA)
- Transaction Specialist (TS)
- Risk Manager



Introduction

3

- Asset Sales Team (ASO)
 - ▣ Kathleen Malone, Director of Asset Sales
 - ▣ John Lucey, Deputy Director of Asset Sales
 - ▣ Erik Cribbs, SFLS Project Manager
 - ▣ Marlene Robinson
 - ▣ Nikeisha Joyner-Wiggins
- Program Financial Advisor (PFA)
 - ▣ Jelani House
 - ▣ Sal Espinosa
 - ▣ Vicki West
 - ▣ Audrey McGuire
- Participating Servicers (P-Servicers)



Training Agenda

4

- ❑ Overview of P-Servicer Responsibilities
- ❑ Preparation of the Loan List
- ❑ Submission of Due Diligence Materials
- ❑ Claim Submission
- ❑ Interim Servicing and Servicing Transfer
- ❑ Post-Award Reporting

5 Overview of P-Servicer Responsibilities



Process Overview

6

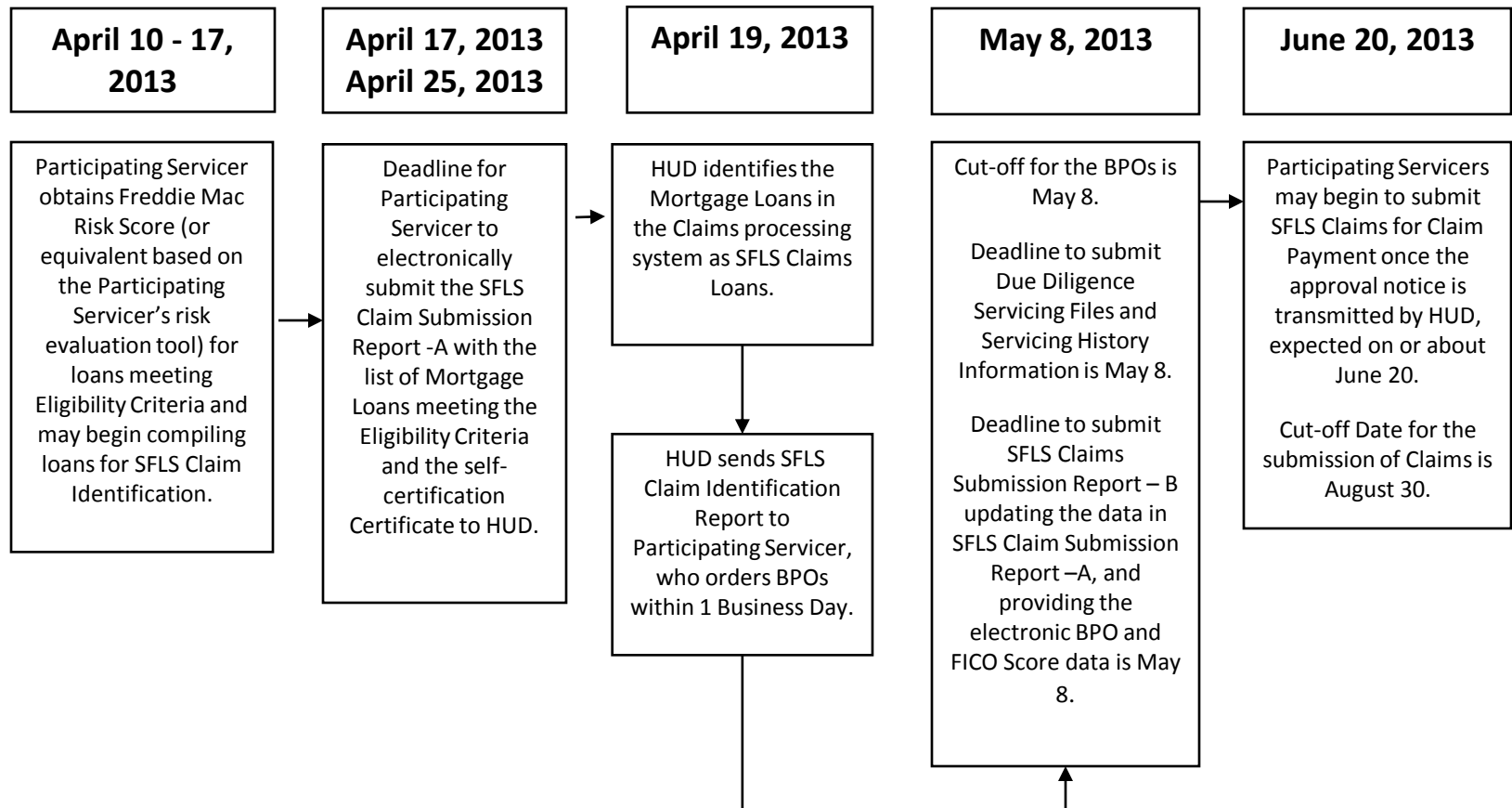
- ❑ Step 1: Execute Participating Servicer Agreement (PSA) and Interim Servicing Agreement (ISA)
- ❑ Step 2: Identify Eligible Loans
- ❑ Step 3: Prepare Due Diligence Materials
- ❑ Step 4: Submit Claims
- ❑ Step 5: Post-Claim Servicing
- ❑ Step 6: Transfer Documents & Servicing
- ❑ Step 7: Post Sale Reporting

Process Overview



7

SFLS Claim Identification Process Overview



8

Preparation of the Loan List



Select Eligibility Criteria

9

Criteria	Eligibility Requirement
Collateral Type	Single Family 1-4 Unit Dwelling
Unpaid Principal Balance	No Less Than \$20,000
Default	<ul style="list-style-type: none">• Six full payments due and unpaid, or• Vacant and three full payments due• Abandoned
Freddie Mac Early Indicator Risk Score	D, E, or F or equivalent based on P-Servicer's risk evaluation tool
Loss Mitigation	<p>P-Servicer has</p> <ul style="list-style-type: none">• evaluated loss mitigation options and has determined no such action is appropriate or, if appropriate, such action has been taken and failed, or• made diligent attempts to make contact with the borrower, but such attempts failed.



Select Eligibility Criteria (cont)

10

OFFICE OF ASSET SALES

Criteria	Eligibility Requirement
Mortgage Loan	<ul style="list-style-type: none">• Not previously offered for SFLS unless non-delivery occurred as a result of:<ul style="list-style-type: none">• additional loss mitigation actions offered by Participating Servicer,• Surchargeable Damage (that has been subsequently repaired),• a bankruptcy action, or litigation (that has been subsequently resolved).• Not subject to pending litigation related either to the origination of the Mortgage Loan or the underlying Mortgaged Property securing the Mortgage Loan; and• Not subject to an Indemnification Agreement or other settlement agreement setting for specific obligations with respect to Mortgage Loan unless such obligations have been fully satisfied.



Select Eligibility Criteria (cont)

11

OFFICE OF ASSET SALES

Criteria	Eligibility Requirement
Mortgaged Property	<ul style="list-style-type: none">• Is not a condemned property,• Has not been seized by the United States Department of Justice, and is not otherwise the subject of a seizure order• Has not sustained any Surchargeable Damage.
Foreclosure	<ul style="list-style-type: none">• No foreclosure sale has been scheduled for a date prior to August 31, 2013,• There has been no foreclosure or pre-foreclosure sale, and no deed-in-lieu of foreclosure has been accepted,• The first legal action under applicable law to commence (or institute) foreclosure, as described in Mortgagee Letter 2005-30 and related mortgagee letters, which may be amended from time to time, has been taken.
Bankruptcy	<ul style="list-style-type: none">• If the mortgage loan is a Bankruptcy Loan with a confirmed repayment plan under Chapter 13 of the United State Bankruptcy Code, the mortgagor is not current under the terms of that plan;



Claim Submission File - A

12

- Due: April 17 or April 25, 2013
- Format: Microsoft Excel (.xls, .xlsx)
- Data includes

Column	Field Name
A	FHA_CASE
B	CURRENT_UPB
C	PROP_ADDRESS
D	PROP_CITY
E	PROP_STATE
F	PROP_ZIP
G	PAID_TO_DATE

- At conclusion of this step, HUD provides a Claim Identification Report
- Email: assetsales@hud.gov

13

Submission of Due Diligence Materials



Document Submission Platforms

14

- Due Diligence Documentation may be submitted on CD, DVD, or hard drive via overnight mail; or by posting using File Transfer Protocol (FTP).
- ▣ Mailing Address:
 - Jessica LeClair
 - Assistant Vice President
 - The Debt Exchange, Inc.
 - 133 Federal Street, 10th Floor
 - Boston, MA 02110
- ▣ FTP Site: Generated for each P-Servicer as arranged with the TS



Ordering FICO Scores and BPOs

15

- FICO Scores: Electronic data included in the ALD
 - 3 Scores: From Equifax, Experian, and TransUnion
- BPOs: Electronic data included in the ALD & PDF file to include photographs
 - Order within one day of receiving Claim Identification Report and due May 8
 - Order from high quality vendors that can provide the BPOs in the required timeframe
 - Provide “as is” and repaired values at 90, 120, and 180 days marketing time, not distressed valuations
 - Provide average market time for area



BPO Requirements - Appendix 5


16








OFFICE OF ASSET SALES

1. The name of the entity requesting the BPO	10. Neighborhood values – indicate the high and low values for the neighborhood
2. The FHA case number	11. Urban, suburban, or rural location
3. The date the BPO was completed	12. Property values: increasing, stable, decreasing
4. Company, address and name of BPO preparer	13. Comment on supply for the market
5. Phone and fax number and e-mail address of BPO preparer	14. Comment on demand for the market
6. Years of experience of BPO preparer	15. Describe property condition
7. Following information on subject property <ul style="list-style-type: none"> ○ Street address, city, state and zip code ○ Occupied or vacant ○ Style ○ Beds ○ Baths ○ Rooms ○ Garage (one, two, etc garage) ○ Lot size ○ Age ○ Square footage ○ Condition ○ Basement (full, finished, partially finished, none) ○ Framed, brick, stucco, manufactured housing or other ○ Single-family, multifamily, condominium, townhouse or other 	16. Following information on current comparable properties listed for sale, and recent comparable properties sold: <ul style="list-style-type: none"> ○ Style ○ Beds ○ Baths ○ Rooms ○ Garage (one, two, etc garage) ○ Lot size ○ Age ○ Square footage ○ Condition ○ Basement (full, finished, partially finished, none) ○ Proximity of comps to subject property ○ List price ○ Comments ○ For recent comparable sold properties: <ul style="list-style-type: none"> ▪ Sale price ▪ Sold date
8. Describe area/neighborhood	17. Photographs of the house, and neighborhood
9. Provide following values for 1) projected sales price; 2) suggested list price; 3) estimate of suggested repairs for each value: <ul style="list-style-type: none"> ○ As is (at 90, 120, and 180 days marketing time) ○ Average market time for area ○ Repaired value (at 90, 120, and 180 days marketing time) 	

Imaged File Organization

17

- ❑ Folders named by FHA Case Number
 - Example:  123-456789
- ❑ Individual files named and organized using the following convention


Name	Date modified
 123_456789_All Other Loan Documents.pdf	3/25/2013 9:35 AM
 123_456789_Current BPO.pdf	3/25/2013 9:35 AM
 123_456789_Loss Mitigation.pdf	3/25/2013 9:35 AM
 123_456789_Mortgage.pdf	3/25/2013 9:35 AM
 123_456789_Note.pdf	3/25/2013 9:35 AM
 123_456789_Original Appraisal.pdf	3/25/2013 9:35 AM
 123_456789_Title Insurance.pdf	3/25/2013 9:35 AM

- ❑ In all imaged loan files other than the note, mortgage and title policy, P-Servicers are to exclude Personally Identifiable Information (PII)
- ❑ P-Servicers should not submit blank or duplicate documents

Recommended Format of Servicing and Payment History Files



18

- Preferred Format: Microsoft Excel (.xls, or .xlsx)
- If Excel format is not possible, submit in another machine readable format such (e.g .txt or .csv, not PDF)
- Payment History Files
 - Individual Payment History File for each loan
 - Examples:
 -  123-456789_Payment History.xlsx
 - Each Servicer must provide a data dictionary for their payment history data fields
- Servicing Comment Files
 - Bulk Servicing Comment Files
 - Each row in the Excel file contains the FHA Case Number



Claim Submission File – B

19

- ❑ Due: May 8, 2013
- ❑ Format: Microsoft Excel
- ❑ File contents:
 - ▣ Origination Data
 - ▣ Current Loan Data
 - ▣ Credit Score Data
 - ▣ BPO Data
 - ▣ Underwriting Ratios
 - ▣ Most Recent Employment Data and As-Of Date
 - ▣ Bankruptcy Data
 - ▣ Foreclosure Data

File Layout (See Appendix 3 of Desk Guide)
(portion of over 100 fields)

Column	Data Element	Definition
A	Pool	Mortgage Loan Pool to which Loan has been Assigned for SFLS 2013-2 – This field will be populated by the Transaction Specialist
B	FHA_CASE	FHA Case Number
C	Current_UPB	Current Unpaid Principal Balance
D	Current_Scheduled_PI_Payment	Current Scheduled Principal and Interest Payment
E	Current_Interest_Rate	Current Interest Rate
F	Paid_To_Date	The day, month, and year through which the mortgage is paid, without regard to when the payment was made
G	Date_Last_Paid	The day, month, and year on which the last mortgage payment was made, without regard to when the payment was due
H	Amount_Last_Paid	Amount of Last Payment
I	Paid_Last_Twelve_Months	Sum of payments made in the last 12 months
J	Escrow_Balance	Escrow Balance
K	Fixed_Variable	Is interest rate fixed or adjustable?
L	Origination_Date	Origination Date
M	Original_Balance	Original Balance
M	First_Payment_Date	First Payment Date
O	Maturity	Maturity Date
P	Original_Term	Original Term (Months)
Q	Remaining_Term	Remaining Months to Maturity
R	Payment_Frequency	Payment Frequency
S	Modified	Has Loan Been Modified?
T	Modification_Date	Date of Latest Modification
U	Modification_First_Pay_Date	Modified First Payment Date
V	Note	Note in File?
W	Mortgage	Mortgage in File?

Claim Submission File – B: Data Format



20

OFFICE OF ASSET SALES

Date Element	Description	Format – Example
Payment_Frequency	Payment Frequency	Monthly, etc.
Note	Note in File?	YES/NO
Mortgage	Mortgage in File?	YES/NO
Title	Title in File?	YES/NO
Borrower_Current_Income	Borrower's current income (monthly)	\$ Amount
Lien_Position	Lien Priority of Subject Mortgage	First, Second, etc.
Paid_Last_Twelve_Months	Total Payments Made in the Last 12 Months	\$ Amount
Insurance_Proceeds	Insurance Proceeds	\$ Amount
Service_Complete	Date Foreclosure Complaint was Served; Initiation of Foreclosure	Date (MM/DD/CCYY)
Judgment_Entered	Date Foreclosure Judgment is entered by the court	Date (MM/DD/CCYY)
Sale_Scheduled	Scheduled foreclosure sale date	Date (MM/DD/CCYY)
BPO_Market_Time	Marketing time for normal sale	Number



FICO and BPO Calculations

21

- Borrower1_Current_Average_Credit_Score
 - ▣ Calculated by averaging available credit scores.
 - ▣ If only one credit score is available, the average will be equal to that score.
- BPO_Value: SFLS 2013-2 BPO_Value will be equal to the 180 day value. For example
 - ▣ BPO_90_Day_Marketing_Value: \$90,000
 - ▣ BPO_120_Day_Marketing_Value : \$95,000
 - ▣ BPO_180_Day_Marketing_Value : \$100,000
 - ▣ BPO_Market_Time: 120
 - ▣ **BPO_Value: \$100,000**

Claim Submission File – B: Ratio Calculations



22

Data Field	Definition	Reference Point	Calculation
Frontend_Ratio	Monthly Principal Interest Taxes and Insurance (PITI) payment divided by monthly Income	Origination	Monthly PITI /Monthly Income
Backend_Ratio	Monthly PITI and minimum monthly payments from liabilities divided by the monthly income	Origination	(Monthly PITI + Minimum Monthly Payments)/ Monthly Income
Frontend_Ratio_LossMit	Monthly PITI payment divided by monthly Income– Most recent completed underwriting	Most Recent Underwriting	Monthly PITI/Monthly Income
Backend_Ratio_LossMit	Monthly PITI and minimum monthly payments from liabilities divided by the monthly income Most recent completed underwriting.	Most Recent Underwriting	(Monthly PITI + Minimum Monthly Payments)/ Monthly Income



Ratio Calculations

23

FHA Case Number "123-456789"

Monthly Income	5,000
Monthly (PITI) Payment	1,550
Credit Card(s) Payment	200
Auto Loan(s) Payment	200
Other Consumer Debt Obligations	200
All Primary Mortgage Debt	1,550
All Consumer Debt	2,150

Ratio	Definition of Numerator	Ratio Calculation
Frontend Ratio	All Primary Mortgage Debt	$1,550/5,000 = 31\%$
Backend Ratio	All Household Debt	$2,150/5,000 = 43\%$

24

Claim Submission



Early Claim Submission

25

- Access to Electronic Data Interchange (EDI) available as of June 3, 2013
 - P-Servicer may begin entering claims information
 - Claims submitted between June 3 – 20 are placed in Electronic Funds Transfer (EFT) hold status.
- June 20: Earliest Claim Submission
 - P-Servicer claims may be submitted and monitored via EDI
 - Claim Submission Results:
 - Paid
 - Suspended
 - EFT Hold Status
- Additional Claim Submission Guidance – PSA Section 8.19:

“Unless and to the extent to do so would be inconsistent with the provisions of this Agreement (including the Desk Guide), Participating Servicer shall follow and remain subject to all provisions of HUD’s rules and regulations, HUD Handbook 4330.4 Rev. 1, and other issuances relating to the filing of FHA mortgage insurance claims.”



Interest Curtailment

26

- ❑ Curtailment Date Instructions are provided in Appendix 8 of the Desk Guide

Basis for Curtailment	Associated Curtailment Rules	Extension Possible
Miss First Legal Action to Foreclose	Curtailed to six months or earlier as required due to vacancy	Yes
Fail to Report First Legal Action to Single Family Default Monitoring System (SFDMS)	Reduced by 30 days for each missed reporting cycle	No
Fail to Meet State-based Reasonable Diligence Timeframe	Number of months in the state Reasonable Diligence Time Frame after the date on which first legal was taken	Yes

- ❑ HUD Reasonable Diligence Time Frames ("Foreclosure Time Frames") were published as Attachment 2 to Mortgagee Letter 2005-30
- ❑ For information on proper reporting of first legal action, see Mortgagee Letters 2005-30 and 1997-18

27

Interim Servicing and Servicing Transfer



Post Claim Servicing

28

- During the interim servicing period, the P-Servicer services the loans on behalf of the purchaser



- Post Claim Servicing begins on the claim date
- Servicing must be performed in accordance with the Interim Servicing Agreement (Exhibit C to the PSA)



Post Claim Servicing

29

Post Claim Servicing Fee: The Purchaser will pay a post servicing fee for loans not transferred within 45 days of the claim date

The post claim servicing fee is paid each month, in arrears, based on the Mortgage loan status detailed below

Mortgage Loan Status	Monthly Post Claim Servicing Fee
Non-performing	65 basis points (bp) divided by 12
Performing	25 bp divided by 12
REO	\$60 per REO

Sample Computations

Non-performing loan with an aggregate unpaid principal balance of \$10,000,000: $\$10,000,000 \times .0065$ (bp) = $\$65,000 / 12 = \$5,417$

Performing loan with an aggregate unpaid principal balance of \$10,000,000: $\$10,000,000 \times .0025$ (bp) = $\$25,000 / 12 = \$2,083$

25 REO Assets: $25 \times \$60 = \$1,500$



Transfer Documents and Servicing

30

- ❑ P-Servicer must prepare Goodbye/Hello letters for each borrower
- ❑ P-Servicer coordinates with the New Servicer to perform a file and servicing transfer
- ❑ Collateral files delivered to parties whom HUD shall direct within 10 days of purchaser settlement (anticipated July 31 and September 18, 2013)
- ❑ P-Servicer must perform a servicing system to servicing system transmittal of mortgage loan information for all mortgage loans transferred to the New Servicer



Hello/Goodbye Letters

31

- Must be prepared and sent in accordance with RESPA, TILA, and state law
- Must include the following information:
 - Specific Mortgage Loan for which servicing is being transferred.
 - Name, address and contact information, including phone number, of the Participating Servicer.
 - Name, address and contact information, including phone number, of the New Servicer.
 - Effective date of the servicing transfer.
 - This statement:

“As a result of your default on your Mortgage Loan, we made a claim for payment on the FHA mortgage insurance. In connection with that claim, we assigned your Mortgage Loan to FHA. FHA sold your Mortgage Loan to [WINNING BIDDER], which is now the new owner of your Mortgage Loan. In connection with that sale, the servicing to your Mortgage Loan will be transferred, as set forth herein, to [INSET NAME OF NEW SERVICER]. As a result of the assignment of your Mortgage Loan to HUD, the payment by FHA of the FHA mortgage insurance claim and the subsequent sale and assignment of your Mortgage Loan to [WINNING BIDDER], the FHA mortgage insurance on your Mortgage Loan was terminated and no further mortgage insurance premiums are due by you.”
 - Notice to the Mortgagor that FHA mortgage insurance premium may be reinstated in the event the Mortgage Loan is repurchased.



Assignments and Endorsements

32

- Assignments and Endorsements are delivered with the collateral files
- Note
 - Each mortgage note is endorsed as of the Claim Date to HUD (on the mortgage note and not by allonge)
 - If the original mortgage note is not available, the P-Servicer prepares an Assignment of Lost Note Affidavit
- Mortgage
 - P-Servicer prepares an assignment to HUD
 - P-Servicer prepares a second assignment to the purchaser
- Note and mortgage are sent to the purchaser
- HUD grants limited power of attorney to the purchaser to execute endorsements and assignments
- Templates include in Exhibit A to the PSA

33

Post-Award Reporting

Post Sale Reporting: Delivery Report



34

A. Loans Removed for Loss Mitigation:

FHA Case Number	Date of Contact with Borrower	Type of Loss Mitigation Offered (indicate any and all)	Forbearance Repayment Plan	Special Forbearance	Modification	FHA-HAMP	Pre-foreclosure Sale	Deed in lieu	Other - specify

B. Loans Removed for Reasons Other than Loss Mitigation:

FHA Case Number	Reason for Removal from the Sale (including whether the reason was due to loss of eligibility after the date of the SFLS Claim Submission Report-A)

Due 30 business days after P-Servicer's last SFLS Claim Submission



Neighborhood Watch

35

□ Compare Ratio Formula:

$$\frac{\% \text{ of a Lender's Loans that are (Seriously Delinquent Loans + Claim Terminated)}}{\% \text{ of Loans in a Selected Geographic Region that are Seriously Delinquent Loans + Claim Terminated}}$$

- Loans in SFLS move from “Seriously Delinquent” to “Claim Terminated” in this calculation
- The program does not have a direct impact on Compare Ratios

Questions



36